

VZCZCXRO4193
RR RUEHAO RUEHCD RUEHGD RUEHGO RUEHMC RUEHNG RUEHNL RUEHRD RUEHRS
RUEHTM
DE RUEHCV #1593/01 3571513
ZNY CCCCC ZZH
R 231513Z DEC 09 ZFF3
FM AMEMBASSY CARACAS
TO RUEHC/SECSTATE WASHDC 0197
INFO OPEC COLLECTIVE
WESTERN HEMISPHERIC AFFAIRS DIPL POSTS
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
RHEHNSC/WHITE HOUSE NATIONAL SECURITY COUNCIL WASHINGTON DC
RHMFISS/HQ USSOUTHCOM MIAMI FL
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 001593

SIPDIS
ENERGY FOR ALOCKWOOD AND LEINSTEIN, DOE/EIA FOR MCLINE
HQ SOUTHCOM ALSO FOR POLAD
TREASURY FOR MKACZMAREK
COMMERCE FOR 4332/MAC/WH/JLAO
NSC FOR DRESTREPO AND LROSSELLO
AMEMBASSY BRIDGETOWN PASS TO AMEMBASSY GRENADA
AMEMBASSY OTTAWA PASS TO AMCONSUL QUEBEC
AMEMBASSY BRASILIA PASS TO AMCONSUL RECIFE

E.O. 12958: DECL: 2019/12/23
TAGS: [EPET](#) [EINV](#) [ENRG](#) [ECON](#) [RS](#) [CH](#) [VE](#)
SUBJECT: VENEZUELA: PDVSA'S CVP LEADERSHIP

CLASSIFIED BY: Richard Yoneoka, A/Economic Counselor, DOS, Econ;
REASON: 1.4(B), (D)

¶1. (C) SUMMARY AND COMMENT: A senior Ministry of Energy and Petroleum (MENPET) official provided insight into the structure of PDVSA's Venezuelan Petroleum Corporation (or CVP by its Spanish acronym) board of directors, current production numbers, and noted current Russian and Chinese difficulties in operating in Venezuela. The placement of a senior MENPET official on CVP's board indicates that the ministry is attempting to maintain some oversight of PDVSA, even though Rafael Ramirez serves as both MENPET Minister and PDVSA CEO. GonzC!lez's statements regarding the mounting Chinese and Russian frustration in developing oil projects here supports the theory that national oil companies from "friendly" countries run into the same problems on the ground as the well-established international oil companies. His admission that PDVSA exports some crude production for storage and eventually re-imports it for refining locally (and then re-exports it, essentially double counting the same production) reinforces the lack of transparency on PDVSA's production and export figures. END SUMMARY AND COMMENT.

¶2. (C) Petroleum AttachC (PetAtt) interviewed Angel GonzC!lez SaltrC3n (Director of CVP) on December 16 when he was identified on the visa line by an alert Consular Officer. In addition to being a director of CVP, GonzC!lez is a senior MENPET official. Chevron Latin America Business Unit President Wes Lohec (protect throughout) told PetAtt that he has a lot of respect for GonzC!lez, that he is one of the most knowledgeable and capable petroleum experts in MENPET and PDVSA. Additionally, Lohec said that GonzC!lez has "the capacity to get stuff done and that he is the top exploration and production guy in the ministry."

PDVSA CVP Board Structure

¶3. (C) According to GonzC!lez (protect throughout), the CVP board is comprised of five members - PDVSA Executive Vice President Eulogio del Pino, Pedro Leon, Orlando Chacin, Franklin Mendez, and GonzC!lez and oversees all PDVSA joint ventures with international and

foreign national oil companies (IOCs and NOCs). With the exception of Mendez, all are geophysical engineers. GonzC!lez explained that del Pino chairs the board, Chacin is responsible for light crude petroleum, Leon for heavy crude petroleum, and Mendez for social programs. Prior to joining CVP, Mendez worked for the national gas regulatory body, ENAGAS, which was headed by Rafael Ramirez until 2002 when he was named Energy and Mines Minister. GonzC!lez serves as MENPET's representative on the CVP board. He claimed that his role on the board is to review all business plans for the petroleum joint ventures and that as an "outside" expert, he does not sit on any of the joint venture boards of directors between PDVSA and oil companies. Lohec summarized GonzC!lez's MENPET responsibility as ensuring IOC and NOC compliance with contract terms.

PRODUCTION

14. (C) GonzC!lez claimed that in 2009 Venezuela had produced 3.02 million barrels per day of crude oil, but that production had recently dropped to 2.96 million barrels per day, resulting in an average production of 3.011 million barrels per day. [NOTE: These figures tow PDVSA's public line and differ substantially from international secondary sources that estimate Venezuelan production around 2.3 million barrels per day. END NOTE.] Of this production, he stated that current Faja projects produce 700,000 barrels/day that PDVSA produces 170,000 barrels of natural gas liquids solids (NGLS) per day, and that Venezuela is exporting

CARACAS 00001593 002 OF 002

2.4-2.5 million barrels per day of crude petroleum. [Note: The Faja production number appears high, even if it includes all four of the original strategic associations and Sinovensa. These production and import numbers suggest Venezuela's domestic consumption of petroleum is between 500,000 and 600,000 barrels/day. END NOTE.] He added that some crude oil production is exported for storage and then returns to Venezuela to be refined locally. While pointing out that every oil field is different, he noted that the average rate of declination in the Venezuelan oilfields is 20 per cent.

RUSSIANS & CHINESE

15. (C) In discussing current Russian and Chinese oil company activity in Venezuela, GonzC!lez shared that the Russians are "discouraged," noting that they had been unsuccessful in exploring for natural gas in the Gulf of Venezuela. Furthermore, he thought it likely that the Russian Consortium would not submit a bid for a block in Carabobo as it is heavily engaged in developing its Junin block. Referring to China's CNPC, GonzC!lez offered that the Chinese projects are on hold, not progressing, and stalled ("aguantados, sin business, y retrocados"), implying that CNPC might be moving slowly while it negotiates more favorable terms and conditions. [NOTE: Press reports on December 22 that speaking at a summit with Chinese officials in Caracas, Minister Ramirez stated that China's Sinopec Group had shown interest in a \$6 billion 400,000 barrel/day refinery on the Orinoco River and that Venezuela had invited China's CNOOC to take part in several projects, including the Boyaca 3 field in the Faja. Post interprets these public announcements by the Minister as a negotiating tool by the GBRV with the involved companies, but also with China's CNPC. END NOTE.]

DUDDY